

**JEFFERSON-SCRANTON  
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2011

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JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
<b>Board of Education</b>		
<b>(Before September 2010 Meeting)</b>		
Sam Harding	President	2011
Teresa Hagen	Vice President	2011
Mike Holden		2013
Celli Whipple		2013
Kevin Neal		2013

**(After September 2010 Meeting)**

Teresa Hagen	President	2011
Celli Whipple	Vice President	2013
Mike Holden		2013
Sam Harding		2013
Kevin Neal	(Resigned, March 2011)	
Mark Peters	(Appointed, April 2011) (Resigned, July 2011)	

**School Officials**

Tim Christensen	Superintendent
Brenda Muir	District Secretary
Sid Jones	District Treasurer

# BRUCE D. FRINK

## Certified Public Accountant

### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

### Independent Auditor's Report

To the Board of Education of  
Jefferson-Scranton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Jefferson-Scranton Community School District, Jefferson Iowa, as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities and each major fund of Jefferson-Scranton Community School District at June 30, 2011, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated February 22, 2011 on our consideration of Jefferson-Scranton Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 13 and 39 through 41 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Jefferson-Scranton Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the nine years ended June 30, 2010 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 3, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Bruce D. Frink*

BRUCE D. FRINK  
Certified Public Accountant

February 22, 2011

# **JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT**

## **Management's Discussion and Analysis**

Jefferson-Scranton Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2011. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2011 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$11,180,480 in fiscal 2010 to \$11,565,164 in fiscal 2011, while General Fund expenditures increased from \$10,659,552 in fiscal 2010 to \$10,794,652 in fiscal 2011.
- General Fund revenues increased in local and state sources. There was a one percent increase in expenditures. The increase in the unassigned General Fund balance is primarily attributable to cost containment measures. Nearly the entire increase in expenditures was in Instructional Programs.
- The District continues its sharing arrangement with Paton-Churdan Community School District for grades 9-12 for a half-day or more of education - students from Paton-Churdan are transported to Jefferson-Scranton High School.
- The District expanded its 28E sharing agreement with East Greene Community School District for various high school courses. The two districts are exploring whole grade sharing options.
- Proceeds from the statewide sales, services and use tax are being used for various projects throughout the District as well as property tax relief. The District resumed levying only the thirty-three cent PPEL levy to assist with equipment and infrastructure needs.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Jefferson-Scranton Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Jefferson-Scranton Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Jefferson-Scranton Community School District acts solely as an agent or custodian for the benefit of employees.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds, as well as a multiyear comparison of revenues and expenses. In addition, the Schedule of Expenditures of Federal Awards provides details of various programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**

***Jefferson-Scranton Community School District Annual Financial Report***

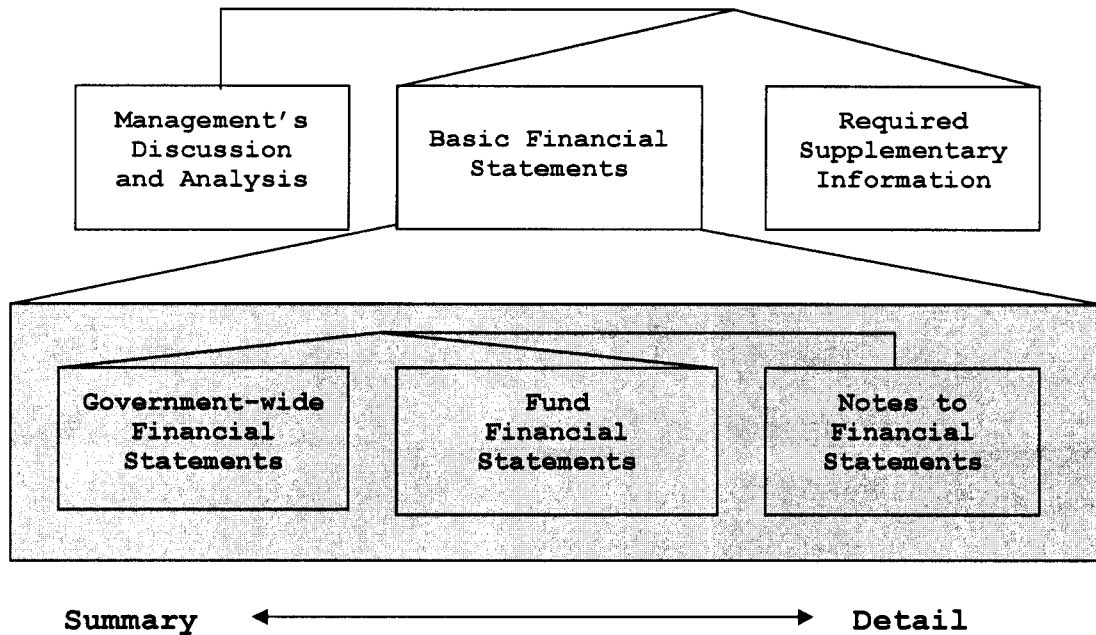


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**

**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and Industrial Technology	Instances in which the district administers resources on behalf of someone else, the flex spending program is shown here
Required financial statements	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance sheet</li> <li>• Statement of revenues, expenditures and changes in fund balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of net assets</li> <li>• Statement of revenues, expenses and changes in fund net assets</li> <li>• Statement of cash flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of fiduciary net assets</li> <li>• Statement of changes in fiduciary net assets</li> </ul>
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long- term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program and industrial technology construction are included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs. The District has elected to present all funds as "major" for clarity of presentation.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, the Special Revenue Funds, the Debt Service Fund and the Capital Projects Funds.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Fund, one type of proprietary fund, is the same as its business type activities but provides more detail and additional information, such as cash flows. The District currently has two Enterprise Funds, the School Nutrition Fund and the Industrial Technology Construction Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Fund.

- Private-Purpose Trust Fund - The District accounts for employee flex spending in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2011 compared to June 30, 2010.

<p align="center"><b>Figure A-3</b>  <b>Condensed Statement of Net Assets</b>  <b>(Expressed in Thousands)</b></p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Current assets	\$ 8,952	8,322	291	305	9,243	8,627	7.14%
Capital assets	7,469	8,000	66	69	7,535	8,069	-6.62%
<b>Total assets</b>	<u>16,421</u>	<u>16,322</u>	<u>357</u>	<u>374</u>	<u>16,778</u>	<u>16,696</u>	<u>0.49%</u>
Current liabilities	5,901	6,145	6	9	5,907	6,154	-4.01%
Non-current liabilities	3,693	4,028	10	-	3,703	4,028	-8.07%
<b>Total liabilities</b>	<u>9,594</u>	<u>10,173</u>	<u>16</u>	<u>9</u>	<u>9,610</u>	<u>10,182</u>	<u>-5.62%</u>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	4,026	4,241	66	69	4,092	4,310	-5.06%
Restricted	1,577	1,381	-	-	1,577	1,381	14.19%
Unrestricted	1,224	527	275	296	1,499	823	82.14%
<b>Total net assets</b>	<u>\$ 6,827</u>	<u>6,149</u>	<u>341</u>	<u>365</u>	<u>7,168</u>	<u>6,514</u>	<u>10.04%</u>

Unrestricted net assets increased by over \$675,000, primarily due to an increase in the General Fund of over \$770,000. Restricted assets increased as a result of an increase in the Management Fund.

Figure A-4 shows the changes in net assets for the year ended June 30, 2011 compared to the year ended June 30, 2010.

Figure A-4							
Changes in Net Assets							
(Expressed in Thousands)							
Governmental Activities		Business Type Activities		Total District		Total Change	
2011	2010	2011	2010	2011	2010	2010-2011	
Revenues:							
Program revenues:							
Charges for service and sales	\$ 960	915	503	684	1,463	1,599	-8.51%
Operating grants, contributions and restricted interest	2,516	3,138	319	317	2,835	3,455	-17.95%
General revenues:							
Property tax	4,426	4,353	-	-	4,426	4,353	1.68%
Income surtax	323	353	-	-	323	353	-8.50%
Statewide sales, service and use tax	672	674	-	-	672	674	-0.30%
Unrestricted state grants	4,006	3,571	-	-	4,006	3,571	12.18%
Unrestricted investment earnings	1	15	-	-	1	15	-93.33%
Other	181	19	-	-	181	19	852.63%
Total revenues	13,085	13,038	822	1,001	13,907	14,039	-0.94%
Program expenses:							
Governmental activities:							
Instruction	7,812	7,741	-	-	7,812	7,741	0.92%
Support services	3,119	3,187	-	-	3,119	3,187	-2.13%
Non-instructional programs	18	14	846	955	864	969	-10.84%
Other expenses	1,458	1,972	-	-	1,458	1,972	-26.06%
Total expenses	12,407	12,914	846	955	13,253	13,869	-4.44%
Change in net assets	\$ 678	124	(24)	46	654	170	384.71%

Property tax and unrestricted state grants account for 61% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 82% of the total expenses. This is an indicator of the District's commitment of spending monies where they most directly affect students. The District increased expenses in the instruction area while decreasing administration and non-instructional areas.

## Governmental Activities

Revenues for governmental activities were \$13,084,549 and expenses were \$12,406,762 for the year ended June 30, 2011.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenses, for the year ended June 30, 2011 compared to the year ended June 30, 2010.

<b>Figure A-5</b>						
<b>Total and Net Cost of Governmental Activities</b>						
<b>(Expressed in Thousands)</b>						
	<b>Total Cost of Services</b>			<b>Net Cost of Services</b>		
	2011	2010	Change 2010-2011	2011	2010	Change 2010-2011
Instruction	\$ 7,812	7,741	0.92%	4,805	4,205	14.27%
Support services	3,119	3,187	-2.13%	3,076	3,130	-1.73%
Non-instructional programs	18	14	28.57%	18	14	28.57%
Other expenses	1,458	1,972	-26.06%	1,032	1,512	-31.75%
Totals	\$ 12,407	12,914	-3.93%	8,931	8,861	0.79%

For the year ended June 30, 2011:

- The cost financed by users of the District's programs was \$959,807.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,647,575. Federal recovery funds were used to partially offset prior state aid cuts.
- The net cost of governmental activities was financed with \$4,425,433 in property tax and \$4,006,020 in state foundation aid (still over \$200,000 less than FY09 levels).

## Business Type Activities

Revenues for business type activities during the year ended June 30, 2011 were \$821,840 and expenses totaled \$845,489. The District's business type activities include the School Nutrition and Industrial Technology Construction Funds. School Nutrition revenues were comprised of charges for service, federal and state reimbursements and investment income. Industrial Technology revenues come from the sale of a student built house each year.

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted, Jefferson-Scranton Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported combined fund balances of \$2,757,132, 45% more than last year's ending fund balances of \$1,900,238. This was primarily due to an increase in the General Fund.

## Governmental Fund Highlights

- The District increased its General Fund balance by maintaining property taxes and expenses. State revenues returned part way to prior years levels but still remains at inadequate levels to support growth. The District continues to maintain a positive unassigned fund balance at June 30, 2011.

- The collection of the statewide sales, services and use tax has allowed the District to reduce its Physical Plant and Equipment Levy property tax asking. The levy was restarted in fiscal 2010 in order to allow for proper facility maintenance and equipment needs.
- Sharing with neighboring schools districts continues to bring in additional revenues.

### **Proprietary Fund Highlights**

The District was able to sell the 2011 student built house. The Nutrition Fund has maintained a positive balance by careful monitoring food and salary costs. The District has attempted to maintain prices at a reasonable level.

### **BUDGETARY HIGHLIGHTS**

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the GAAP basis. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Projects and Special Revenue Funds are not presented in the budgetary comparison on pages 39 through 40.

### **Legal Budgetary Highlights**

The District's total actual receipts were approximately \$140,000 greater than the total budgeted receipts. The most significant change resulted in the District receiving more in federal revenues than originally anticipated. This was partially due to the federal economic stimulus program.

Total expenditures were less than budgeted due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District did not exceed the amended published budget amount in any of the four functions.

The District achieved a positive spending authority at June 30, 2011. Further monitoring of expenses and looking for other revenue streams other than tax dollars will continue to be necessary.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

By the end of 2011, the District has invested more than \$7.5 million, net of accumulated depreciation, in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$620,000.

**Figure A-6**  
**Capital Assets, net of Depreciation**  
**(Expressed in Thousands)**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2011	2010	2011	2010	2011	2010	2010-2011
Land	\$ 70	70	-	-	70	70	0.00%
Land improvements	79	111	-	-	79	111	-28.83%
Buildings	6,672	6,893	-	-	6,672	6,893	-3.21%
Furniture and equipment	648	926	66	69	714	995	-28.24%
Totals	\$ 7,469	8,000	66	69	7,535	8,069	-6.62%

#### Long-Term Debt

The District's revenue bonds (paid by statewide sales tax revenues) will continue until 2023. The District has leases for the purchase of equipment that will be paid off over the next five years. Additional details can be found in the notes to the financial statements.

**Figure A-7**  
**Outstanding Long-Term Obligations**  
**(Expressed in Thousands)**

	Total District		Total Change
	June 30,		June 30,
	2011	2010	2010-2011
Revenue bonds	\$ 3,374	3,636	-7.21%
Capital leases	69	122	-43.44%
Other postemployment benefits	129	89	44.94%
Early retirement	121	181	-33.15%
Total	\$ 3,693	4,028	-8.32%

#### ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is experiencing decreasing enrollment the past several years.
- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired). A solution needs to be found.
- Health insurance costs continue to be a concern for the District. Increased rates based on usage have brought this issue to the forefront when calculating the District's budget.
- Once again un-funded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.

- State aid cuts in prior years have caused problems as the District is forced to find other revenue sources.
- Additional sharing opportunities with the East Greene Community School District are being explored.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Brenda Muir, District Secretary, Jefferson-Scranton Community School District, 204 W Madison St, Jefferson, IA 50129.

## Basic Financial Statements



## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

## Statement of Net Assets

June 30, 2011

	Governmental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and pooled investments	\$ 3,563,801	265,334	3,829,135
Receivables:			
Property tax:			
Current year	74,065	-	74,065
Succeeding year	4,579,604	-	4,579,604
Income surtaxes	330,600	-	330,600
Due from other governments	303,631	-	303,631
Other receivables	99,756	12,043	111,799
Inventories	-	13,195	13,195
Capital assets, net of accumulated depreciation	7,469,479	66,465	7,535,944
<b>Total assets</b>	<b>16,420,936</b>	<b>357,037</b>	<b>16,777,973</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Accounts payable	1,011,166	5,994	1,017,160
Accrued salaries and benefits	213,448	-	213,448
Accrued interest payable	37,216	-	37,216
Deferred revenue:			
Succeeding year property tax	4,579,604	-	4,579,604
Federal programs	59,507	-	59,507
Long term liabilities:			
Portion due within one year:			
Revenue bonds payable	274,956	-	274,956
Early retirement	121,304	-	121,304
Capital lease payable	63,592	9,762	73,354
Portion due after one year:			
Revenue bonds payable	3,099,277	-	3,099,277
Net OPEB liability	128,734	-	128,734
Capital lease payable	5,193	-	5,193
<b>Total liabilities</b>	<b>9,593,997</b>	<b>15,756</b>	<b>9,609,753</b>
<b>Net assets:</b>			
Invested in capital assets, net of related debt	4,026,461	66,465	4,092,926
Restricted for:			
Categorical funding	211,939	-	211,939
Student activities	237,030	-	237,030
Management levy	152,555	-	152,555
School infrastructure	900,237	-	900,237
Physical plant and equipment levy	74,838	-	74,838
Unrestricted	1,223,879	274,816	1,498,695
<b>Total net assets</b>	<b>\$ 6,826,939</b>	<b>341,281</b>	<b>7,168,220</b>

See notes to financial statements.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

## Statement of Activities

Year ended June 30, 2011

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
<b>Functions/Programs:</b>						
Governmental activities:						
Instruction	\$ 7,812,375	955,810	2,051,634	(4,804,931)	-	(4,804,931)
Support services:						
Student services	345,819	-	-	(345,819)	-	(345,819)
Instructional staff services	143,478	-	-	(143,478)	-	(143,478)
Administration services	1,249,711	-	-	(1,249,711)	-	(1,249,711)
Operation and maintenance of plant services	868,008	-	39,175	(828,833)	-	(828,833)
Transportation services	511,978	3,997	-	(507,981)	-	(507,981)
	3,118,994	3,997	39,175	(3,075,822)	-	(3,075,822)
Non-instructional programs:						
Community service operations	17,670	-	-	(17,670)	-	(17,670)
Other expenditures:						
Facilities acquisition and construction	280,158	-	551	(279,607)	-	(279,607)
Long-term debt interest	140,391	-	18	(140,373)	-	(140,373)
Long-term debt services	200	-	-	(200)	-	(200)
AEA flowthrough	425,102	-	425,102	-	-	-
Depreciation (unallocated)*	611,872	-	-	(611,872)	-	(611,872)
	1,457,723	-	425,671	(1,032,052)	-	(1,032,052)
Total governmental activities	12,406,762	959,807	2,516,480	(8,930,475)	-	(8,930,475)

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2011

	Program Revenues		Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Total
Business type activities:				
Non-instructional programs:				
Nutrition services	537,280	196,636	319,173	(21,471)
Industrial technology construction	308,209	306,031	-	(2,178)
	<u>845,489</u>	<u>502,667</u>	<u>319,173</u>	<u>(23,649)</u>
Total	<u>\$ 13,252,251</u>	<u>1,462,474</u>	<u>2,835,653</u>	<u>(8,954,124)</u>
General Revenues:				
Property tax levied for:				
General purposes				3,931,917
Management fund				400,239
Capital projects				93,277
Income surtaxes				322,576
Statewide sales, services and use tax				672,033
Unrestricted state grants				4,006,020
Unrestricted investment earnings				909
Other				181,291
				<u>9,608,262</u>
Total general revenues				<u>9,608,262</u>
Change in net assets				(23,649)
Net assets beginning of year				654,138
				<u>6,149,152</u>
Net assets end of year				<u>364,930</u>
				<u>341,281</u>
				<u>7,168,220</u>

\* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	General	Student Activity	Management Levy	Capital Projects			Total
				Statewide Sales, Services and Use Tax Levy	Physical Plant and Equipment Levy		
Cash and pooled investments	\$ 2,320,280	236,357	203,247	730,640	73,277		3,563,801
Receivables:							
Property tax:							
Current year	65,806	-	6,698	-	1,561		74,065
Succeeding year	3,996,866	-	485,000	-	97,738		4,579,604
Income surtax - succeeding year	330,600	-	-	-	-		330,600
Due from other governments	72,034	-	-	231,597	-		303,631
Other receivables	97,169	673	1,914	-	-		99,756
Interfund receivables	-	-	62,000	-	-		62,000
<b>Total assets</b>	<b>\$ 6,882,755</b>	<b>\$ 237,030</b>	<b>758,859</b>	<b>962,237</b>	<b>172,576</b>		<b>9,013,457</b>

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Balance Sheet  
Governmental Funds

June 30, 2011

	Capital Projects				
	Statewide				
	General	Student Activity	Management Levy	Sales, Services and Use Tax Levy	Physical Plant and Equipment Levy
<b>Liabilities and Fund Balances</b>					
Liabilities:					
Accounts payable	\$1,011,166	-	-	-	-
Accrued salaries and benefits	213,448	-	-	-	-
Interfund payables	-	-	-	62,000	-
Deferred revenue:					
Succeeding year property tax	3,996,866	-	485,000	-	97,738
Succeeding year income surtax	330,600	-	-	-	-
Federal programs	59,507	-	-	-	-
Total liabilities	5,611,587	-	485,000	62,000	97,738
Fund balances:					
Restricted for:					
Categorical funding	211,939	-	-	-	-
Student activities	-	237,030	-	-	-
Management levy	-	-	273,859	-	-
School infrastructure	-	-	-	900,237	-
Physical plant and equipment levy	-	-	-	-	74,838
Unassigned	1,059,229	-	-	-	-
Total fund balances	1,271,168	237,030	273,859	900,237	74,838
<b>Total liabilities and fund balances</b>	<b>\$6,882,755</b>	<b>237,030</b>	<b>758,859</b>	<b>962,237</b>	<b>172,576</b>

See notes to financial statements.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds  
to the Statement of Net Assets

June 30, 2011

<b>Total fund balances of governmental funds (Exhibit C)</b>	<b>\$ 2,757,132</b>
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**Amounts reported for governmental activities in the Statement of Net Assets are different because:**

Income surtax receivable at June 30, 2011 is not recognized as income until received in the governmental funds, however, it is shown as a revenue in the Statement of Net Activities.	330,600
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.	7,469,479
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Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.	(37,216)
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Long-term liabilities, including bonds payable, capital leases payable, early retirement and other postemployment benefits payable are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Revenue bonds	\$ (3,374,233)	
Early retirement	(121,304)	
Net OPEB liability	(128,734)	
Capital leases payable	<u>(68,785)</u>	<u>(3,693,056)</u>

<b>Net assets of governmental activities (Exhibit A)</b>	<b><u>\$ 6,826,939</u></b>
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## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2011

	Capital Projects					Debt Service	Total
	General	Student Activity	Management Levy	Statewide			
				Sales, Services and Use Tax Levy	Physical Plant and Equipment Levy		
Revenues:							
Local sources:							
Local tax	\$ 4,246,204	-	400,239	672,033	93,277	-	5,411,753
Tuition	955,810	-	-	-	-	-	955,810
Other	284,695	305,803	2,462	551	43,012	18	636,541
State sources	5,373,625	-	189	-	53	-	5,373,867
Federal sources	704,830	-	-	-	-	-	704,830
Total revenues	11,565,164	305,803	402,890	672,584	136,342	18	13,082,801
Expenditures:							
Instruction	7,227,507	371,865	233,008	-	-	-	7,832,380
Support services:							
Student services	345,819	-	-	-	-	-	345,819
Instructional staff services	143,478	-	-	-	-	-	143,478
Administration services	1,232,771	-	32	1,908	15,000	-	1,249,711
Operation and maintenance of plant service	913,571	-	36,245	-	-	-	949,816
Transportation services	488,734	-	23,244	-	-	-	511,978
	3,124,373	-	59,521	1,908	15,000	-	3,200,802
Non-instructional programs:							
Community service operations	17,670	-	-	-	-	-	17,670

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year ended June 30, 2011

	Capital Projects					Debt Service	Total
	General	Student Activity	Management Levy	Statewide			
				Sales, Services and Use Tax Levy	Physical Plant and Equipment Levy		
Other expenditures:							
Facilities acquisition and construction	-	-	-	191,712	88,446	-	280,158
Long-term debt:							
Principal	-	-	-	-	-	321,353	321,353
Interest	-	-	-	-	-	148,242	148,242
Services	-	-	-	-	-	200	200
AEA flowthrough	425,102	-	-	-	-	-	425,102
	425,102	-	-	191,712	88,446	469,795	1,175,055
Total expenditures	10,794,652	371,865	292,529	193,620	103,446	469,795	12,225,907
Excess (deficiency) of revenues over (under) expenditures	770,512	(66,062)	110,361	478,964	32,896	(469,777)	856,894
Other financing sources (uses):							
Operating transfers in	-	-	-	-	38,529	469,794	508,323
Operating transfers out	-	-	-	(469,794)	-	(38,529)	(508,323)
	-	-	-	(469,794)	38,529	431,265	-
Net change in fund balances	770,512	(66,062)	110,361	9,170	71,425	(38,512)	856,894
Fund balances beginning of year	500,656	303,092	163,498	891,067	3,413	38,512	1,900,238
Fund balances end of year	\$ 1,271,168	237,030	273,859	900,237	74,838	-	2,757,132

See notes to financial statements.



## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances - Governmental Funds  
to the Statement of Activities

Year ended June 30, 2011

Net change in fund balances - total governmental funds (Exhibit E) \$ 856,894

**Amounts reported for governmental activities in the Statement of Activities  
are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the Statement of Activities this represents the change in income surtax receivable from the prior year.

8,289

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 81,808	
Depreciation expense	<u>(611,872)</u>	(530,064)

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term debt liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	(6,541)	
Repayments	<u>321,353</u>	314,812

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement	59,276	
Other postemployment benefits	<u>(39,271)</u>	20,005

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

7,851

Change in net assets of governmental activities (Exhibit B) \$ 677,787

See notes to financial statements.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Net Assets  
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Industrial Technology Construction</u>	<u>Total</u>
<b>Assets</b>			
Cash and pooled investments	\$ 7,722	257,612	265,334
Other receivables	12,043	-	12,043
Inventories	13,195	-	13,195
Capital assets, net of accumulated depreciation	<u>66,465</u>	<u>-</u>	<u>66,465</u>
<b>Total assets</b>	<u>99,425</u>	<u>257,612</u>	<u>357,037</u>
<b>Liabilities</b>			
Accounts payable	5,994	-	5,994
Capital lease payable	<u>9,762</u>	<u>-</u>	<u>9,762</u>
<b>Total liabilities</b>	<u>15,756</u>	<u>-</u>	<u>15,756</u>
<b>Net assets</b>			
Invested in capital assets	66,465	-	66,465
Unrestricted	<u>17,204</u>	<u>257,612</u>	<u>274,816</u>
<b>Total net assets</b>	<u>\$ 83,669</u>	<u>257,612</u>	<u>341,281</u>

See notes to financial statements.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Funds

Year ended June 30, 2011

	<u>School Nutrition</u>	<u>Industrial Technology Construction</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 196,636	306,031	502,667
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	191,867	-	191,867
Benefits	26,337	-	26,337
Services	11,564	-	11,564
Supplies	295,852	-	295,852
Depreciation	11,660	-	11,660
	<u>537,280</u>	<u>-</u>	<u>537,280</u>
Other enterprise operations:			
Other	-	308,209	308,209
	<u>-</u>	<u>308,209</u>	<u>308,209</u>
Total operating expenses	<u>537,280</u>	<u>308,209</u>	<u>845,489</u>
Operating income (loss)	<u>(340,644)</u>	<u>(2,178)</u>	<u>(342,822)</u>
Non-operating revenues:			
Interest on investments	23	-	23
State sources	5,043	-	5,043
Federal sources	314,107	-	314,107
	<u>319,173</u>	<u>-</u>	<u>319,173</u>
Change in net assets	(21,471)	(2,178)	(23,649)
Net assets beginning of year	<u>105,140</u>	<u>259,790</u>	<u>364,930</u>
Net assets end of year	<u>\$ 83,669</u>	<u>257,612</u>	<u>341,281</u>

See notes to financial statements.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows  
Proprietary Funds

Year ended June 30, 2011

	School Nutrition	Industrial Technology Construction	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 192,051	306,031	498,082
Cash payments to employees for services	(218,204)	-	(218,204)
Cash payments to suppliers for goods or services	(280,239)	(279,209)	(559,448)
Net cash provided by (used by) operating activities	(306,392)	26,822	(279,570)
Cash flows from non-capital financing activities:			
State grants received	5,043	-	5,043
Federal grants received	289,499	-	289,499
Net cash provided by non-capital financing activities:	294,542	-	294,542
Cash flows from capital financing activities:			
Capital lease proceeds	10,729	-	10,729
Capital lease principal payments	(967)	-	(967)
Acquisition of capital assets	(9,205)	-	(9,205)
Net cash provided by capital financing activities	557	-	557
Cash flows from investing activities:			
Interest on investments	23	-	23
Net increase (decrease) in cash and cash equivalents	(11,270)	26,822	15,552
Cash and cash equivalents beginning of year	18,992	230,790	249,782
Cash and cash equivalents end of year	\$ 7,722	257,612	265,334
<b>Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:</b>			
Operating income (loss)	\$ (340,644)	(2,178)	(342,822)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	11,660	-	11,660
Commodities used	24,608	-	24,608
(Increase) in other receivables	(4,585)	-	(4,585)
Decrease in inventory	6,094	29,000	35,094
(Decrease) in accounts payable	(3,525)	-	(3,525)
	\$ (302,867)	\$ 26,822	\$ (276,045)

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2011, the District received federal commodities valued at \$24,608.

See notes to financial statements.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2011

	Flex Spending Fund
<b>Assets</b>	
Cash	\$ 2,984
<b>Total assets</b>	<u>2,984</u>
<b>Net Assets</b>	
Reserved for flex spending	<u>\$ 2,984</u>

See notes to financial statements.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets  
Fiduciary Fund

Year ended June 30, 2011

	<u>Flex Spending Fund</u>
Additions:	
Local sources:	
Miscellaneous	\$ 49,444
Deductions:	
Regular instruction:	
Benefits	<u>55,626</u>
Change in net assets	(6,182)
Net assets beginning of year	<u>9,166</u>
Net assets end of year	<u>\$ 2,984</u>

See notes to financial statements.

# JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2011

### (1) Summary of Significant Accounting Policies

Jefferson-Scranton Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve, State Voluntary Preschool Program and special education pre-kindergarten. The geographic area served includes the Cities of Jefferson and Scranton, Iowa, and agricultural area in Greene County. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

#### A. Reporting Entity

For financial reporting purposes, Jefferson-Scranton Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Jefferson-Scranton Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Greene County Assessor's Conference Board.

#### B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The District has elected to include all funds as major funds for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenue not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Student Activity Fund is used to account for extra curricular activities conducted on behalf of the students.

The Management Levy Fund is utilized for the payment of insurance, unemployment and early retirement benefits.

The Capital Projects, Physical Plant and Equipment Levy Fund is utilized to account for the maintenance and equipping of the District's facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The Capital Projects, Statewide Sales Services and Use Tax Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The District's major proprietary funds are the Enterprise, School Nutrition and Industrial Technology Construction Funds. These funds are used to account for the food service operation and student built house project of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary fund includes the following:

The Flex Benefits account which accounts for amounts withheld from employee wages and are used to pay medical expenses. No District monies are included in this fund.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.



Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

The proprietary funds of the District apply all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Nutrition Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The principal operating revenue and expenses of the Industrial Technology Construction Fund are related to the construction of a new house each school year. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds are accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget by April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2009 assessed property valuations; is for the tax accrual period July 1, 2010 through June 30, 2011 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2010.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment and intangibles are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. The District had no intangible assets that met the capitalization threshold.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Intangibles	100,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Intangibles	5-10 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collectible within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied, as well as federal program revenues who will not be spent until succeeding fiscal years.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, fund balances are classified as follows:

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Unassigned - All amounts not included in other spendable classifications.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

#### E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2011, expenditures did not exceed the amended amount budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

#### (2) **Cash and Pooled Investments**

The District's deposits at June 30, 2011 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2011, the District had investments in the Iowa Schools Joint Investment Trust. Direct Government Obligations Portfolio which are valued at an amortized cost of \$2,427,997 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk - The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

### (3) Capital Assets

Capital assets activity for the year ended June 30, 2011 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 69,762	-	-	69,762
Capital assets being depreciated:				
Improvements other than buildings	635,306	-	-	635,306
Buildings	11,815,850	-	-	11,815,850
Furniture and Equipment	3,962,157	81,808	-	4,043,965
Total capital assets being depreciated	16,413,313	81,808	-	16,495,121
Less accumulated depreciation for:				
Improvements other than buildings	524,748	31,766	-	556,514
Buildings	4,922,517	220,822	-	5,143,339
Furniture and Equipment	3,036,267	359,284	-	3,395,551
Total accumulated depreciation	8,483,532	611,872	-	9,095,404
Total capital assets being depreciated, net	7,929,781	(530,064)	-	7,399,717
Governmental activities, capital assets, net	\$ 7,999,543	(530,064)	-	7,469,479
<b>Business type activities</b>				
Furniture and Equipment	\$ 151,600	9,204	30,223	130,581
Less accumulated depreciation	82,679	11,660	30,223	64,116
Business type activities capital assets, net	\$ 68,921	(2,456)	-	66,465
Depreciation expense was charged to the following functions:				
Governmental activities:				
Unallocated				\$ 611,872
Business type activities:				
Food service operations				\$ 11,660

### (4) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members were required to contribute 4.50% of their annual salary and the District is required to contribute 6.95% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2011, 2010, and 2009 were \$470,550, \$454,205, and \$394,350 respectively, equal to the required contributions for each year.

(5) **Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$425,102 for year ended June 30, 2011 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(6) **Long-Term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2011 are summarized as follows:

	Balance Beginning Year	Additions	Reductions	Balance End of Year	Due Within One Year
Other Postemployment Benefits	89,463	39,271	-	128,734	-
Capital Lease Payable	121,830	-	59,586	62,244	62,244
Capital Lease Payable	-	7,189	648	6,541	1,348
Early Retirement	180,580	121,304	180,580	121,304	121,304
Revenue Bonds	3,636,000	-	261,767	3,374,233	274,956
Total	\$4,027,873	167,764	502,581	3,693,056	459,852

Revenue Bonds

In November 2007, the District approved the sale of \$3,195,000 of School Infrastructure Sales and Services Tax Revenue Bonds. Proceeds will be used for additions and improvements to existing facilities. Principal and interest will be paid from proceeds of the statewide sales, services and use tax for schools.

Details of the District's June 30, 2011 revenue bonds are as follow:

Year Ending June 30,	November, 2007			July, 2009			
	Interest Rate	Principal	Interest	Interest Rate	Principal	Interest	Total
2012	3.75%	\$ 190,000	115,838	3.90%	\$ 84,956	17,910	408,704
2013	3.85	200,000	108,425	3.90	88,270	14,597	411,292
2014	3.90	210,000	100,480	3.90	91,712	11,154	413,346
2015	3.95	220,000	92,040	3.90	95,289	7,578	414,907
2016	4.00	225,000	83,195	3.90	99,005	3,861	411,061
2017-2021	4.05-4.25	1,280,000	266,387	-	-	-	1,546,387
2022-2023	4.30-4.35	590,000	25,810	-	-	-	615,810
Total		\$2,915,000	792,175		\$459,232	55,100	4,221,507

The District has pledged future statewide sales, services and use tax revenues to repay the \$3,195,000 bonds issued in December, 2007 and \$541,000 issued in July, 2009. The bonds were issued for the purpose of financing a portion of the costs of remodeling. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2023. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$4,221,507. For the current year \$261,767 of principal and \$143,784 of the interest was paid on the bonds and total statewide sales, services and use tax revenues were \$672,033.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$317,425 of the proceeds from the issuance of the revenue bonds shall be deposited to a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.

- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year. The balance of this account at June 30, 2011 was \$352,651.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

The District has complied with all of the revenue bond provisions during the year ended June 30, 2011.

**(7) Early Retirement**

The District offers a voluntary early retirement plan to its certified and non-certified employees. Eligible employees must be at least age fifty-five and employees must have completed ten years of continuous service to the District. Employees must complete an application which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is currently equal to 45% of the employee's current year contracted salary excluding overtime pay, supplemental/coaching pay or extended contract pay and teacher salary supplement. The maximum district cost for 2011 retirees is \$200,000. Early retirement benefits paid during the year ended June 30, 2011 totaled \$180,580.

**(8) Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2010-11A warrants was 1.20% plus the one-month LIBOR rate, adjusted daily. The interest rate on the Series 2010-11B warrants is a variable rate, calculated daily based upon the LIBOR rate plus 120 basis points. A summary of the District's ISCAP activity for the year ended June 30, 2011 is as follows:

<u>Series</u>	<u>Warrant Date</u>	<u>Final Warrant Maturity</u>	<u>Balance Beginning of Year</u>	<u>Advances Received</u>	<u>Advances Repaid</u>	<u>Balance End of Year</u>
2010-11A	6/30/10	6/23/11	\$ -	80,000	80,000	-
2010-11B	1/26/11	1/25/12	-	-	-	-
Total			\$ -	80,000	80,000	-

During the year ended June 30, 2011, the District paid \$7,560 of interest on the ISCAP warrants.

**(9) Risk Management**

Jefferson-Scranton Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(10) Capital Leases**

The District has a lease for the purchase of school buses that requires three annual payments of \$64,043. The second payment was made in fiscal year 2010 with one remaining payment that will be paid on July 1, 2011.

The District entered into a capital lease for the acquisition of equipment. The total price was \$17,918 and will be paid off over 5 years beginning in January 2011. The interest rate is 4.9%. Monthly payments of \$337.03 are made with 60% coming from the Nutrition Fund and 40% from the Activity and/or General Fund.

**(11) Interfund Transfers**

The detail of interfund transfers for the year ended June 30, 2011 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects, Statewide Sales, Services and Use Tax	\$469,794
Capital Projects, Physical Plant and Equipment Levy	Debt Service	<u>38,529</u>
		<u>\$508,323</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

**(12) Other Postemployment Benefits (OPEB)**

The District implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits other Than Pensions during the year ended June 30, 2011.

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 149 active and 10 retired members in the plan. Participants must be age 55 or older at retirement. 49 active participants have declined the current plan coverage. All are included in this valuation.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2011, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$ 49,933
Interest on net OPEB obligation	2,237
Adjustment to annual required contribution	(12,899)
Annual OPEB cost	<u>39,271</u>
Contributions made	-
Increase in net OPEB obligation	<u>39,271</u>
Net OPEB obligation beginning of year	89,463
Net OPEB obligation end of year	<u>\$128,734</u>

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2011.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2011 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2009	\$43,641	0.00%	\$ 43,641
June 30, 2010	\$45,822	0.00%	\$ 89,463
June 30, 2011	\$39,271	0.00%	\$128,734

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2010 through June 30, 2011, the actuarial accrued liability was \$528,733, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$528,733. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$7,012,000 and the ratio of the UAAL to covered payroll was 7.5%. As of June 30, 2011, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the frozen entry age actuarial cost method was used. The actuarial assumptions includes a 2.5% discount rate based on the District's funding policy. The projected annual medical trend rate is 6%.

Mortality rates are from the 94 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from information provided by the District.

The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.



(13) Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, was implemented during the year ended June 30, 2011. The effect of fund type reclassifications is as follows:

	<u>Capital Projects, Physical Plant and Equipment Levy</u>	<u>Special Revenue, Physical Plant and Equipment Levy</u>
Balances June 30, 2010, as previously reported	\$ -	3,413
Change in fund type classification per implementation of GASB Statement No. 54	<u>3,413</u>	<u>(3,413)</u>
Balances July 1, 2010, as restated	<u>\$3,413</u>	<u>-</u>

(14) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2011 is as follows:

<u>Receivable Fund</u>	<u>Payable Funds</u>	<u>Amount</u>
Management	Capital Projects, Statewide Sales, Services and Use Tax	<u>\$62,000</u>

The Capital Projects Fund is repaying the General Fund for interfund borrowing to cover cash shortfalls. The balance is to be repaid by June 30, 2012.

**Required Supplementary Information**

**JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT**

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -  
Budget and Actual - All Governmental Funds and Proprietary Fund

Required Supplementary Information

Year ended June 30, 2011

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
<b>Revenues:</b>						
Local sources	\$ 7,004,104	502,690	7,506,794	7,143,694	7,143,694	363,100
State sources	5,373,867	5,043	5,378,910	6,548,724	6,548,724	(1,169,814)
Federal sources	704,830	314,107	1,018,937	580,000	580,000	438,937
Total revenues	<u>13,082,801</u>	<u>821,840</u>	<u>13,904,641</u>	<u>14,272,418</u>	<u>14,272,418</u>	<u>(367,777)</u>
<b>Expenditures/Expenses:</b>						
Instruction	7,832,380	-	7,832,380	8,115,000	8,315,000	482,620
Support services	3,200,802	-	3,200,802	4,074,338	4,074,338	873,536
Non-instructional programs	17,670	845,489	863,159	765,000	865,000	1,841
Other expenditures	1,175,055	-	1,175,055	1,108,443	1,615,443	440,388
Total expenditures/expenses	<u>12,225,907</u>	<u>845,489</u>	<u>13,071,396</u>	<u>14,062,781</u>	<u>14,869,781</u>	<u>1,798,385</u>
Excess of revenues over expenditures/expenses	856,894	(23,649)	833,245	209,637	(597,363)	1,430,608
Other financing sources (uses)	-	-	-	-	-	-
Excess of revenues and other financing sources over expenditures/expenses and other financing uses	856,894	(23,649)	833,245	209,637	(597,363)	1,430,608
Balances beginning of year	<u>1,900,238</u>	<u>364,930</u>	<u>2,265,168</u>	<u>1,368,754</u>	<u>1,368,754</u>	<u>(896,414)</u>
Balances end of year	<u>\$ 2,757,132</u>	<u>341,281</u>	<u>3,098,413</u>	<u>1,578,391</u>	<u>771,391</u>	<u>2,327,022</u>

See accompanying independent auditor's report.

**JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT**

**Note to Required Supplementary Information - Budgetary Reporting**

**Year ended June 30, 2011**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula. During the year, the District adopted one budget amendment increasing budgeted expenditures by \$807,000.

During the year ended June 30, 2011, expenditures did not exceed the amended amounts budgeted in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the  
Retiree Health Plan  
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	\$0	\$529	\$529	0.0%	\$6,982	7.6%
2010	Jul 1, 2008	\$0	\$529	\$529	0.0%	\$6,902	7.7%
2011	Jul 1, 2008	\$0	\$529	\$529	0.0%	\$7,012	7.5%

See Note 12 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

**Other Supplementary Information**

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Elementary Activities:				
Elementary Library	\$ 1,089	4,447	4,447	1,089
Reading is Fundamental	991	3,905	4,166	730
Elementary Student Fund	4,128	4,771	5,506	3,393
Elementary Playground	32	-	-	32
Elementary Field Trip	750	-	198	552
Elementary Instrumental Music	2,134	1,480	249	3,365
Fifth Grade Snack Shop	189	-	90	99
District Wide Nurse Emergency Fund	414	45	393	66
	<u>9,727</u>	<u>14,648</u>	<u>15,049</u>	<u>9,326</u>
Middle School:				
Middle School Library	3	917	802	118
Middle School Music	(141)	2,253	2,112	-
Middle School Student Fund	4,845	36,445	41,290	-
Middle School Treat Cart	2,176	6,914	7,938	1,152
Middle School Yearbook	2,527	1,122	1,160	2,489
	<u>9,410</u>	<u>47,651</u>	<u>53,302</u>	<u>3,759</u>
Athletics:				
Baseball	-	5,342	5,342	-
Baseball Fundraiser	3,633	4,664	2,734	5,563
Boys Basketball	5,819	4,431	5,374	4,876
Boys Basketball Fundraiser	296	744	384	656
Boys Golf	-	1,628	1,628	-
Boys Golf Fundraiser	381	400	781	-
Boys Track	-	2,942	2,942	-
Boys Track Fundraiser	895	2,654	2,056	1,493
Cheerleaders	1,597	10,460	6,320	5,737
Cheerleaders Fundraiser	5,146	-	5,146	-
Cross Country	1,865	1,590	1,560	1,895
Cross Country Fundraiser	174	895	728	341
Football	12,620	18,301	19,503	11,418
Football Fundraiser	2,170	14,464	10,759	5,875
Girls Basketball	4,044	3,929	3,974	3,999
Girls Basketball Fundraiser	3,109	12,053	12,978	2,184
Girls Golf	-	1,608	1,608	-
Girls Golf Fundraiser	(491)	886	395	-
Girls Track	-	4,006	4,006	-
Miscellaneous Athletic Activity	2,240	671	885	2,026
Softball	-	5,245	5,245	-
Softball Fundraiser	(130)	3,294	2,353	811
Tournaments	2,893	2,165	2,165	2,893
Volleyball	4,116	2,243	3,555	2,804
Volleyball Fundraiser	210	2,459	2,460	209
Wrestling	-	5,655	5,166	489
Wrestling Fundraiser	950	-	42	908
	<u>51,537</u>	<u>112,729</u>	<u>110,089</u>	<u>54,177</u>

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Athletic Fundraisers	101,486	58,811	101,525	58,772
High School Clubs/Organizations:				
Art Club	871	976	958	889
Business Professional of America	817	579	358	1,038
Drama	742	-	27	715
Fashion Club	349	1,015	1,320	44
FFA	1,275	11,049	10,063	2,261
French Club	1,551	1,398	38	2,911
Pep Club	12	140	152	-
FCCLA	179	750	104	825
Instrumental Music	574	13,105	9,731	3,948
Lil' Ram Preschool	367	2,429	2,556	240
Ram Restaurant	5,569	23,196	27,759	1,006
Juvenile Court Program	136	-	-	136
Spanish Club	4,766	11,254	6,745	9,275
Speech	1,054	513	1,302	265
VICA Club	606	8,496	6,794	2,308
Debate Club	362	-	-	362
Vocal Music	4,574	20,106	16,112	8,568
Yearbook	(6,681)	11,442	4,761	-
Flags	402	-	300	102
Ram Trolley	3,812	4,073	5,199	2,686
	21,337	110,521	94,279	37,579
High School Activities:				
Community Outreach Club	650	1,834	2,484	-
Physics Club	124	-	-	124
High School Library Memorial	22	631	507	146
Senior High Student Council	5,748	2,004	3,297	4,455
National Honor Society	191	1,251	783	659
	6,735	5,720	7,071	5,384
Graduating Class:				
Class of 2010	146	218	364	-
Class of 2011	347	2,129	1,845	631
Class of 2012	451	5,227	5,003	675
	944	7,574	7,212	1,306
Miscellaneous Funds	3,810	2,500	758	5,552



JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2011

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
Concessions:				
Elementary Concession	227	322	466	83
Middle School Concession	1,058	5,529	3,593	2,994
High School Concession	167	3,794	3,591	370
	<u>1,452</u>	<u>9,645</u>	<u>7,650</u>	<u>3,447</u>
Interest Income	<u>96,654</u>	<u>5,557</u>	<u>44,483</u>	<u>57,728</u>
	303,092	375,356	441,418	237,030
Interaccount transfers		<u>(69,553)</u>	<u>(69,553)</u>	
Totals	<u>\$ 303,092</u>	<u>305,803</u>	<u>371,865</u>	<u>237,030</u>

See accompanying independent auditor's report.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Ten Years

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
	Modified Accrual Basis									
Revenues:										
Local sources:										
Local tax	\$ 5,411,753	5,357,285	5,167,063	4,705,893	4,737,618	4,571,222	4,369,020	4,207,481	4,261,246	4,059,276
Tuition	955,810	881,967	809,701	824,953	698,915	656,603	702,194	728,523	577,819	451,174
Other	636,541	640,804	556,160	624,377	487,481	521,277	470,621	463,421	439,772	426,745
State sources	5,373,867	5,010,475	5,441,635	5,227,346	5,001,267	4,967,550	4,920,787	4,601,164	4,930,883	4,991,474
Federal sources	704,830	1,125,356	542,449	431,318	292,548	369,102	430,901	421,030	400,449	273,390
Total	<u>\$ 13,082,801</u>	<u>13,015,887</u>	<u>12,517,008</u>	<u>11,813,887</u>	<u>11,217,829</u>	<u>11,085,754</u>	<u>10,893,523</u>	<u>10,421,599</u>	<u>10,610,169</u>	<u>10,202,059</u>
Expenditures:										
Instruction	\$ 7,832,380	7,533,714	7,470,656	7,218,916	6,848,967	6,904,128	6,645,489	6,628,501	6,256,739	6,285,355
Support services:										
Student	345,819	365,595	400,229	387,533	369,226	356,926	368,797	431,009	401,734	372,807
Instructional staff	143,478	166,811	200,084	223,720	158,277	167,782	549,337	475,930	483,592	463,454
Administration	1,249,711	1,257,827	1,192,834	1,226,876	1,149,767	1,111,324	775,419	738,984	706,644	659,772
Operation and maintenance of plant	949,816	1,008,572	1,039,669	1,040,793	1,113,984	1,082,224	983,789	925,616	871,544	835,496
Transportation	511,978	481,499	603,365	563,779	707,326	545,068	419,212	400,942	451,991	385,193
Non-instructional programs	17,670	14,158	13,368	12,970	10,000	10,250	10,707	10,000	10,510	10,305
Other expenditures:										
Facilities acquisition	280,158	922,815	976,445	2,401,121	436,953	291,613	345,363	213,019	285,455	348,849
Debt service:										
Principal	321,353	500,000	535,905	502,671	513,030	452,526	408,113	410,538	344,038	304,038
Interest and services	148,442	140,770	172,765	49,883	61,916	68,985	80,526	89,723	120,795	158,430
AEA flowthrough	425,102	423,991	381,564	361,752	353,856	344,408	343,759	347,828	376,669	379,907
Total	<u>\$ 12,225,907</u>	<u>12,815,752</u>	<u>12,986,884</u>	<u>13,990,014</u>	<u>11,723,302</u>	<u>11,335,234</u>	<u>10,930,511</u>	<u>10,672,030</u>	<u>10,309,711</u>	<u>10,203,606</u>

See accompanying independent auditor's report.

## JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

## Schedule of Expenditures of Federal Awards

Year ended June 30, 2011

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>	
Indirect:				
U.S. Department of Agriculture:				
Iowa Department of Education:				
School Nutrition Cluster Programs:				
School Breakfast Program	10.553	FY11	\$ 56,493	
Food Distribution (non-cash)	10.555	FY11	36,754	
Summer Food Service Program for Children	10.559	FY11	19,105	
National School Lunch Program	10.555	FY11	213,901	
			<u>326,253</u>	
School Lunch Equipment Grants Stabilization	84.579	FY11	2,608	
U.S. Department of Education:				
Iowa Department of Education:				
Title I Grants to Local Educational Agencies	84.010	FY11	189,179	**
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY11	45,233	**
ARRA - State Fiscal Stabilization Fund (SFSF) Education State Grants, Recovery Act	84.394	FY11	54,888	*
State Fiscal Stabilization Fund - Government Services Recovery Act	84.397	FY11	48,957	*
Education Jobs Fund	84.410	FY11	149,052	
Grants for Assessments and Related Activities	84.369	FY11	6,832	
Improving Teacher Quality State Grants	84.367	FY11	48,742	
Career and Technical Education - Basic Grants to States	84.048	FY11	15,419	
Special Education - Preschool Grants	84.173	FY11	2,001	***
Prairie Lakes Area Education Agency 8:				
Special Education - Grants to States (IDEA Part B)	84.027	FY11	53,523	***
ARRA - Special Education Grants to States - Recovery Act	84.391	FY11	23,867	***
Total			<u>\$ 966,554</u>	

\* Total for Stabilization cluster is \$103,845

\*\* Total for Title I cluster is \$234,412

\*\*\* Total for Special Education cluster is \$79,391

**Basis of Presentation** - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Jefferson-Scranton Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

# BRUCE D. FRINK

## Certified Public Accountant

Independent Auditor's Report on Internal Control  
over Financial Reporting and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards

To the Board of Education of the  
Jefferson-Scranton Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities and each major fund of Jefferson-Scranton Community School District as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated February 22, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-11 and II-B-11 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We noted no items which we consider to be material deficiencies.

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## Compliance and Other Matters

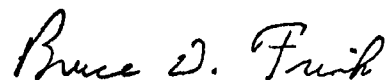
As part of obtaining reasonable assurance about whether Jefferson-Scranton Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. We noted instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2011 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Jefferson-Scranton Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Jefferson-Scranton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Jefferson-Scranton Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



**BRUCE D. FRINK**  
**Certified Public Accountant**

February 22, 2011

# BRUCE D. FRINK

## Certified Public Accountant

Independent Auditor's Report on Compliance with Requirements  
That Could Have a Direct and Material Effect on Each Major  
Program and on Internal Control over Compliance in  
Accordance with OMB Circular A-133

To the Board of Education of  
Jefferson-Scranton Community School District:

### Compliance

We have audited the compliance of Jefferson-Scranton Community School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of Jefferson-Scranton Community School District's major federal programs for the year ended June 30, 2011. Jefferson-Scranton Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Jefferson-Scranton Community School District's management. Our responsibility is to express an opinion on Jefferson-Scranton Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Jefferson-Scranton Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Jefferson-Scranton Community School District's compliance with those requirements.

In our opinion, Jefferson-Scranton Community School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

### Internal Control over Compliance

The management of Jefferson-Scranton Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Jefferson-Scranton Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Jefferson-Scranton Community School District's internal control over compliance.

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#### Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

#### Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

#### Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-11 to be a material weakness.

Jefferson-Scranton Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Jefferson-Scranton Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Jefferson-Scranton Community School District and other parties to whom Jefferson-Scranton Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Bruce D. Frink*

**BRUCE D. FRINK**  
**Certified Public Accountant**

February 22, 2012

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part I: Summary of the Independent Auditor's Results:**

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
  - CFDA Number 84.410 - Education Jobs Fund
  - CFDA Number 84.579 - School Lunch Equipment Grants StabilizationNutrition Clustered Programs:
  - CFDA Number 10.553 - School Breakfast Program
  - CFDA Number 10.555 - National School Lunch Program (cash and non-cash)
  - CFDA Number 10.559 - Summer Food Service Program for Children
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Jefferson-Scranton Community School District did not qualify as a low-risk auditee.



JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part II: Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE:**

No matters were noted.

**INTERNAL CONTROL DEFICIENCIES**

II-A-11 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-11 Auditor Drafting of the Financial Statements and Related Footnote Disclosures - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES

CFDA Number 84.410 - Education Jobs Fund  
Federal Award Year: 2011  
US Department of Education  
Passed through Iowa Department of Education

CFDA Number 84.579 - School Lunch Equipment Grants Stabilization  
Federal Award Year: 2011  
US Department of Agriculture  
Passed through Iowa Department of Education

CFDA Number 10.553 - School Breakfast Program  
10.555 - National School Lunch Program  
10.559 - Summer Food Service Program for Children  
Federal Award Year: 2011  
US Department of Agriculture  
Passed through Iowa Department of Education

II-A-11 Segregation of Duties - The District did not properly segregate custody, record keeping and reconciling functions for funds, including those related to Federal programs.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response and Corrective Action Planned - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**

IV-A-11 Certified Budget - Expenditures for the year ended June 30, 2011, did not exceed the amended budget amounts in any of the four functions. The District did not exceed its unspent authorized budget for the year ended June 30, 2011.

IV-B-11 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-11 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IV-D-11 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Celli Whipple Board member	Substitute Employee	\$803

In accordance with Chapter 279.7A of the Code of Iowa these transactions do not appear to represent conflicts of interest since they total less than \$2,500 for the fiscal year.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

IV-E-11 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-11 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-11 Certified Enrollment - No variance in the basic enrollment data certified to the Department of Education were noted.

IV-H-11 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-I-11 Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

IV-J-11 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.

IV-K-11 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.

**JEFFERSON-SCRANTON COMMUNITY SCHOOL DISTRICT**

Schedule of Findings and Questioned Costs

Year ended June 30, 2011

**Part IV: Other Findings Related to Required Statutory Reporting:**  
**(continued):**

IV-L-11 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. Districts are required to include these reporting elements in the Certified Annual Report (CAR) submitted to the Iowa Department of Education. For the year ended June 30, 2011, the District reported the following information regarding the statewide sales, services and use tax revenue in the District's CAR:

Beginning balance		\$ 891,067
Revenues/transfers in:		
Sales tax revenues	\$672,033	
Other local revenues	<u>550</u>	<u>672,583</u>
		1,563,650
Expenditures/transfers out:		
School infrastructure construction	193,619	
Transfers to other funds:		
Debt service fund	<u>469,794</u>	<u>663,413</u>
Ending balance		\$ <u>900,237</u>

For the year ended June 30, 2011, the District reduced the following levies as a result of the moneys received under Chapter 423E or 423F of the Code of Iowa.

	Rate of Levy Reduction Per \$1,000 Of Taxable Valuation	Property Tax Dollars Reduced
Debt service levy	\$ <u>1.65</u>	\$ <u>469,794</u>